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S E C R E T SECTION 01 OF 02 ALGIERS 002091

SIPDIS

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SUBJECT: VULNERABILITY OF KEY FOREIGN OIL SUPPLIERS

REF: A. SECSTATE 182688

[1](#)B. ALGIERS 2055

Classified By: CDA Marc J. Sievers for reasons 1.4 (d), (e), and (g).

[1](#)1. (S) Post provides the following answers to the Department's questions on the vulnerability of key foreign oil supplies in Algeria:

(S) -- Have host governments completed vulnerability assessments of the facilities (Arzew Terminal and Skikda)?

Following the 2004 explosion at Skikda (see para 2), the GOA undertook a comprehensive audit of all port facilities, especially relating to hydrocarbon and industrial security. The Ministry of Energy oversees quarterly checks on all installations. Algeria submitted its port facility security plan (PFSP) on June 6, 2004 to the International Maritime Organization (IMO). The PFSP covered all major oil exporting port facilities. Algeria's Port Security Officer is the Minister in charge of Ports, Mohamed Mhareb. While the PFSP should provide for all contingencies in the event of an emergency, including a terrorist attack, a trusted industry source told EconOff that, to the best of his knowledge, a professional vulnerability or risk assessment of either facility for counter terrorism purposes had never been completed.

(S) -- What actions have they taken to reinforce protection and harden vulnerable infrastructure to prevent terrorist attacks or other disruptions?

Algeria has vast experience of internal terrorism dating to the 1990's, but over a decade of terrorist operations, including bombings, Algeria's "golden goose" i.e. the hydrocarbon sector has never been struck. All facilities in country have either a military platoon or gendarmarie (local police forces) assigned to them. This constitutes a protection force of 30 to 100 people per facility, in addition to a surrounding fence topped with razor wire and, in most instances, closed circuit TV surveillance equipment. In the south, the petroleum facilities are in the middle of the desert so a "sneak attack" would be highly unlikely if not impossible. Facility security is therefore able to see anyone coming well in advance. Despite the aforementioned security measures, industry experts indicated to EconOff that "Skikda and Arzew would be easy targets for an external threat," though post believes no internal terrorist organization has the capability to mount a successful attack on these facilities.

(S) -- What would be the impact if one of these facilities reduced or halted its output?

Algeria currently produces 1.8 million barrels of crude daily, of which it exports a total of 1.4 million barrels per day (BPD). Skikda handles roughly 40% of Algeria's exports at 520,000 BPD; Arzew is the second largest crude export terminal at 470,000 BPD; Bejaia accounts for 370,000 BPD; and the port of Algiers ships 77,000 BPD. Algeria expects to increase its total crude exports to 1.5 million BPD by the end of 2006. The Skikda refinery refines 350,000 BPD and Arzew refines roughly 400,000 BPD. Refined fuels are mostly used for internal consumption, but a small amount is exported to Western Europe. Arzew is also the main terminal/export point for Algeria's liquefied natural gas. Algeria currently produces 2.8 trillion cubic feet of natural gas yearly and is the third largest source of U.S. natural gas imports at over 120 billion cubic feet per year. U.S. petroleum company Honeywell estimates that Algeria has the potential to increase crude oil production capacity to 2 million BPD and natural gas production to 4.0 trillion cubic feet per year by [1](#)2010.

(S) -- Are there any other facilities which are particularly vulnerable?

The Hassi Messaoud area is the heart of Algeria's hydrocarbon extraction and production. As noted, most of the facilities in that region are in the middle of the desert, but a successful attack on Hassi Messaoud would severely disrupt nearly all of Algeria's oil export capacity. One of Algeria's pipelines terminates at the La Skhirra terminal on the coast of Tunisia. The Tunisian authorities maintain security measures at that facility.

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DOUBTS ABOUT SKIKDA SAFETY  
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12. (SBU) A large, accidental fire broke out October 4 at the Skikda refinery when a crude storage tank was apparently set ablaze by an electrical spark (Ref b). Though firefighters were eventually able to contain the fire, three of the facility's eighteen storage tanks were drained down and burned dry. This same facility suffered a more serious explosion in January 2004, when a steam boiler at the LNG plant exploded, killing 13 and causing an estimated \$800 million in damage and a loss of more than 5 billion cubic meters per year in production. The Ministry of Energy and Sonatrach, the state-owned oil company, are conducting a formal investigation into the most recent accident amid mounting questions about Skikda's overall safety record.

13. (U) Algeria's reserves and potential: Algeria's proven oil reserves are estimated at a modest 11.8 billion barrels. According to industry sector studies, sizable new finds and greater use of enhanced oil recovery techniques would increase probable reserves to as high as 43 billion barrels.

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